

Service Date: December 28, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA
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IN THE MATTER of the Application) UTILITY DIVISION
by MONTANA POWER COMPANY for) DOCKET NO. 84.11.71
Authority to Increased Rates for) INTERIM ORDER NO. 5113
Electric Service.)

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FINDINGS OF FACT

1. On November 15, 1984, the Montana Power Company (Applicant or MPC) filed an application which showed a need for increased annual revenues in the amount of \$82,403,684. The Applicant proposed a rate moderation plan which would take place over a period of years ending in 1991. In the filing the Applicant requested \$35,000,000 in interim rate relief effective on or before January 1, 1985. That amount is the first year revenue requirement in the Applicant's rate moderation plan.

2. Pursuant to the Commission's rules on interim rate increases, ARM Sections 38.5.501, et seq., Applicant has given proper notice of its interim rate increase request.

3. The Commission has performed an analysis of loads and resources for the test year ended December 31, 1983, on a basis which is consistent with the method used in Docket No. 83.9.67 Order No. 5051c. That analysis indicates a deficit of 14 megawatts in the month of October assuming critical water conditions. The Commission finds that there is a need for an additional resource of 14 megawatts on an annual basis to meet

load in the test year. Upon a careful examination, the Commission finds that the appropriate resource to supply the 14 megawatts is Colstrip Unit No. 3. This decision is consistent with the planning criteria of meeting firm loads with firm resources. It is important to recognize that this deficit existed after energy production from current resources was maximized. In addition, the Commission finds that increases in operating and maintenance expenses in the new test year should be reflected to the extent allowed under interim rules.

4. In the current test year, the Bird plant is needed to produce energy in two months, March and October, 21 and 37 megawatts respectively. This requires that the fuel expense associated with this generation be reflected in this order. The Commission approves \$2,898,801 in fuel expense for the Bird plant.

5. Based upon the above discussion, and in conformance with its interim rules, the Commission finds that the Applicant is authorized an interim increase of \$18,463,730 as follows:

Rate Base	\$519,968,533	
Rate of Return	.1165	
Required Return		\$60,576,334
Less: Balance for Return		<u>51,288,220</u>
Revenue Deficiency		9,288,114
Times Tax Multiplier (.5030)		\$18,463,730

In addition to the revenue level of \$18,463,730 it is necessary to perform an allocation between Montana jurisdictional customers and REC customers. Current rates for the REC's already produce \$2,905,387 in excess of their allocation at the Commission's level of interim rate relief. Thus, the total amount granted to MPC in this Order is \$21,369,117.

CONCLUSIONS OF LAW

1. The foregoing findings of fact are hereby incorporated as conclusions of law.
2. The Montana Power Company is a public utility furnishing electric service to consumers in the State of Montana. As such, it is subject to the supervision, regulation, and control of this Commission, Section 69-3-102, MCA.
3. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion temporarily approve increases pending a hearing or final decision. "
4. The amount of interim relief approved in this order meets the requirements of the rules governing interim increases, ARM 38.5.501 et seq.

ORDER

1. The Montana Power Company is hereby GRANTED authority to implement, on an interim basis, increased electric rates designed to generate \$21,369,117, in additional revenues on an annual basis.
2. The Commission directs MPC to combine the interim revenue increase in this Docket with rate changes resulting from Order No . 5051 (h) Docket No. 83.9.67 thereby minimizing the number of rate changes occurring in January 1985.

3. The Commission directs MPC to file detailed work papers which reflect a uniform percent increase to rates resulting from this Interim Order and rate design adjustment made in Order No. 5051(h). The uniform percent increase must be applied to all rates.

4. Rates reflecting the uniform percent increase in this Docket shall be effective for service on and after the date on which the Commission staff verifies and approves the Company's work papers and proposed tariffs.

5. Nothing on this Interim Order precludes the Commission from adopting in its final order, after reviewing the entire record in this Docket, a revenue requirement different from that contained in this order.

6. Interim revenues granted herein are subject to rebate should the final order in this Docket disapprove this interim revenue increase. Such a rebate would include interest at the currently authorized rate of return on equity (14.25 percent).

DONE IN OPEN SESSION at Helena, Montana, this 27th day of December, 1984, by a vote of 3-1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

HOWARD L. ELLIS, Commissioner

DANNY OBERG, Commissioner

CLYDE, JARVIS, Commissioner
(Voting to Dissent)

ATTEST:

Trenna Scoffield
Commission Secretary
(SEAL)

NOTE: You may be entitled to judicial review in this matter.
Judicial review may be obtained by filing a petition
for review within thirty (30) days of the service of
this order. Section 2-4-702, MCA.